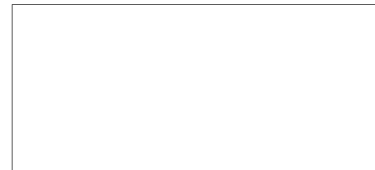




**Director of  
Central  
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# **National Intelligence Daily (Cable)**

**10 April 1982**

DIA review  
completed.

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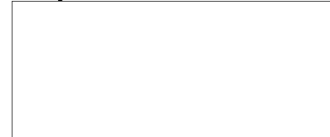
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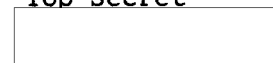
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ARGENTINA-UK: Negotiating Positions

*//The UK and Argentina are holding to their tough stands, although Buenos Aires may be considering its options. Soviet media have increased their tilt toward Argentina. The dispute is unsettling other South American countries who see clear parallels with their own longstanding territorial disputes.//*

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A massive demonstration in Buenos Aires is planned for today--scheduled to take place at the time Secretary of State Haig meets with President Galtieri--in support of Argentina's stand on the Falklands.

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Comment: //Several recent reports have suggested that the Argentines are looking for a facesaving way out both for themselves and the UK, but only on the condition that their sovereignty of at least the Falkland Islands--but not necessarily South Georgia and the South Sandwich Islands--be recognized.//

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UK Position

//As a potential military showdown approaches, there has been no slackening of support for the government's tough stance. Defense Secretary Nott's declaration of an impending blockade was favorably received by the public and in Parliament.//

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Comment: //The declaration that an exclusion zone will go into effect on Monday has reduced the time before a military conflict may begin. The British apparently believe that raising the prospect of fast military action has galvanized world opinion and given the Argentine leadership pause.//

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Soviet media, after some initial uncertainty, are now portraying the Falkland dispute as part of the "general problem of decolonization" and are accusing the UK of trying to hold the islands "against common sense and the decisions of the UN." TASS, moreover, said the British Task Force creates "an immediate threat to international peace and security." Moscow also is alleging that the US is helping the UK, but at the same time mediating out of concern that a showdown could cause the fall of the Thatcher government.

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Official spokesmen, however, continue to waffle. Yesterday, for example, a Foreign Ministry official initially described the Soviet position as one of neutrality and then severely criticized the British.

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Comment: //The nations of South America are increasingly concerned that unless the crisis is settled quickly, they also will be drawn into the dispute either because of fraternal ties to Argentina or because some national-

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istic groups will see this as an opportunity to settle old scores with their neighbors. For now, however, the numerous stirrings appear to be precautionary.//

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ISRAEL-LEBANON: Israeli Military Buildup Continues

*//Additional troops and equipment arrived in northern Israel yesterday, and the Palestinians are becoming increasingly nervous about Israeli intentions.//*

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[redacted] elements of Israel's elite 35th Parainfantry Brigade were preparing for field operations at a staging base north of Akko and that additional troops, tanks, and engineer equipment are in position in the Shelomi area along the north-western Lebanese border. Israeli troops and equipment also were arriving in northeastern Galilee and the northern Golan Heights. In addition, there was unusually intense activity at the Haifa Naval Base yesterday.//

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Comment: //The augmentation of Israeli forces along the northern border and on the Golan Heights probably will continue until the level of forces in the north approximates the buildup there last December that was estimated to include 23,000 to 24,000 troops. This level could be reached today. Israel will then be able to send up to a division into southern Lebanon while providing adequate defense on the Golan against a possible Syrian attack.//

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USSR-YUGOSLAVIA: Trade Problems

*Soviet demands for adjustments in bilateral trade, prompted by Moscow's hard currency difficulties, may cause new problems for Yugoslavia's troubled economy and strain delicate bilateral relations.*

Shortly before Foreign Minister Gromyko's visit in early April, an authoritative newspaper in Belgrade revealed that the Soviets are seeking revisions in the 1981-85 trade pact. Moscow wants to buy more food and consumer goods instead of industrial products that are not competitive in Western markets.

The article also stated that Soviet energy and raw material deliveries last year dropped by 25 percent, and oil deliveries were 360,000 tons below agreed levels. It predicted "stagnation" and "insurmountable difficulties" in bilateral economic cooperation if these trends continue. The Soviet Ambassador in Belgrade complained to senior Yugoslav officials about the article during Gromyko's visit.

The Soviets' share of Yugoslav exports grew 50 percent--to about a third of overall exports--between 1979 and 1981. The increase was mainly due to imports of industrial goods in compensation for the then increasing costs of Soviet oil imports. Yugoslavia pays world market prices for its oil imports from the USSR.

Comment: Moscow's willingness to risk worsening relations with Belgrade over this issue is another sign of its concern over its hard currency problems. //The Yugoslavs, however, probably regard the new demands as an attempt to use economic leverage

They cannot afford to redirect many food and consumer products from the domestic and Western export markets.

One long-term impact of the new Soviet demands may be to spur Belgrade to reform its economy in order to increase the competitiveness of its industrial goods in world markets.

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CZECHOSLOVAKIA: Private Enterprise Encouraged

Czechoslovakia is beginning to encourage private initiative in the agricultural and service sectors because the performance of government-controlled enterprises has been erratic and has failed to meet consumer demand. A retail trade law enacted early this month allows individuals to run service enterprises and legalizes the sale of privately produced goods. This follows agricultural reforms earlier this year promoting part-time private farming and permitting tax-free sales.

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Comment: The Czechoslovak move--although not as far reaching as recent Hungarian measures--are an important victory for moderates and show Prague's concern over the stagnating economy. Party hardliners apparently are beginning to realize that growing economic problems require new approaches.

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EC-JAPAN: Criticism of Trade Practices

//International pressure on Tokyo over Japan's trade surplus is increasing. The EC this week followed its request for GATT consultations by issuing a detailed note on concern about the high rate of growth in Japanese exports to the EC and the low level of Japanese total imports of manufactured goods. In addition, West German Economics Minister Lambsdorff attacked Japanese trade practices during a recent visit to Japan, saying that they could lead to a breakdown in the free trade system.//

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Comment: //The EC has little leverage on Japan, and the GATT proceedings, by themselves, would have a minimal effect on Japanese policy. Japanese officials, however, probably are worried that the EC complaints will help to isolate Japan at the OECD ministerial meetings in May and the Versailles summit in June. Lambsdorff's comments, in particular, will add to their discomfiture because West Germany previously has spoken out against protectionism. These criticisms have put more pressure on the Japanese to draw up a substantial trade liberalization package before the summit.//

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CHINA-VIETNAM: Reaction to Vietnamese Party Congress

Beijing's public assessment of the recent Vietnamese Party Congress buttresses its case for continued opposition to Hanoi's domination of Kampuchea. The Chinese are blaming Vietnam's economic problems on the war in Kampuchea. They also point out that a stronger grip on the leadership by hardliners and the appointment to the Politburo of the Vietnamese commander in Kampuchea are signs that Hanoi will increase its military operations there. [REDACTED]

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Comment: Beijing wants to counter any argument that a more conciliatory approach to Hanoi will persuade the Vietnamese to moderate their ambitions in Kampuchea. China will continue to emphasize these issues to encourage ASEAN unity in maintaining pressure on Vietnam and to prevent the Vietnamese from easing their isolation and obtaining Western economic aid. [REDACTED]

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